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Case Study

Investigating Relationship between Debt and Earning Management (Case Study in Years of Economic Sanctions Increasing 2009-2014)

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ABSTRACT:

In economics the assumption of rational behavior is assumed that all individuals seek to maximize their own wealth, and then managers are no exception. Increasing wealth manager can reduce the wealth with shareholders. From the perspective of other groups including DE George et al. (1999) earnings management in the domain of financial reporting and accounting obligations and in other activities and actions taken by management. However, most researchers such as Haley (1985), Aschipper (1989) and Belkuei (2004) earnings management in the area of financial reporting and accrual accounting know the possible. Fama &. Jensen (1983) and et al. according to the results between earnings management and bank loans companies listed on the stock exchange there is no significant relationship.

INTRODUCTION:

One of the objectives of financial reporting is to provide information to investors, creditors and other current and potential users in decision-making related to investment and credit, and other decisions, be of benefit. One of the important criteria for estimating the profitability of the Group of companies forecast future earnings and about it, and evaluation of their management, the company's current and past profits. In other words, managers are trying to limit the method of accounting, predictable results and create fixed. Because most investors and managers believe that companies that have good profitability and earnings are not subject to major changes compared to similar companies, worth more and more predictability and compare. On the other hand, according to the Agency Theory managers can benefit from the incentive to manipulate in order to maximize their own interests.

Janin and Piot (2005) believe that the audit could be one way of preventing and reducing earnings management. It is believed, companies that audited financial statements provide information content and higher quality earnings. Accrual is dependent on the judgment of directors and audit firms that have higher accruals, is even harder. Audit higher quality, more likely detects questionable accounting practices. For quality audit institution has the expertise, resources and motivation is more to discover error and fraud.

A necessary condition to achieve this objective, financial information presented in a way that makes it possible to evaluate past performance and profitability measurement and forecasting future business activities effective (Hassanzade brothers and Badavarnahandi, 2009), in the meantime, recent financial distress Enron and World com corporate and international including the one hand and the increase in the number of fraud in financial reporting, concerns about the perceived credit quality of financial reporting accounting. Auditing review is in order to remedy the accounting profession and public confidence lost, to devise strategies such as changing the rules of the standards-based approach Accounting Standards principles-based standards, systematic and emphasis on auditor independence and corporate governance to protect the interests of minority shareholders regulatory accounting and auditing profession's law. But despite the same regulatory mechanisms on financial reporting, it seems that companies do not enjoy the same quality of financial reporting and suggest it is probably numerous other factors make a difference in the quality of financial reporting companies. This makes the need for research to help investors to make better decisions and direct investment.

Problem Statement:

Profits such information is considered important in economic decisions. Studies and researches about the profit of one of the most voluminous and most research efforts are n an accounting forms. Help profit as dividend payments, an instrument for assessing management effectiveness, and by predicting and evaluating decisions, often used by investors, managers believe Aschipper (1998) earnings management interventions targeted at the financial reporting process of the company's business plan personal interests. Belkaoui (2004) believes that earnings management accounting part of the design. The creation of pre-built object and image data transfer using accounting information. Income smoothing, earnings management, accounting and failures of the accounting system fabricated various aspects of accounting are designed. Millions of participants who arrived invest their savings Worksheet have proved to ensure that these funds will be invested them annual financial statements of companies rely period, between removing enough bank financial they in turn funds are invested company. So almost everyone directly or indirectly relates benefits the public interest requires reliable and timely financial reports of public companies are the financial health operations. [10]

Due to the financial crisis, investors are barely able to predict financial situation, especially in cases where management is earnings manipulation with regard to management objectives financial analysis becomes more difficult It hurts so badly to shareholders can we say that these things so that shareholders can fully benefit manipulated by management and identify relevant studies under the administration of Many to identify factors related to the can manage the dependencies between these factors that cause that these factors directly used to predict the level of management due to its importance and the owners and managers of earnings management and conflicts of interest in 2009.

Research Necessity and Importance

Due to a conflict of interest management and shareholders, management's incentive to manipulate the company's profits and the so-called earnings management finds. When management for financial incentive to mislead users by entering their mandate in accounting practices, financial reporting is an injection molded earnings management may occur. [2]

There are several ways for managers to manage the interest change in accounting methods, sell assets or change in long-term investments and commercial use accrual accounting to accrual accounting within the Tool special discretionary accruals easiest way to manipulate incontinent hardest way many studies in the field of management related factors that could lead that can on the relationship between these factors and management's profit but this factor does not directly predict the level of management reduce the risk Bourne. This financial crisis caused huge losses to shareholders to remove the risk creates a model that could predict the level of management is necessary [46].

In addition to the traditional audit, which is subject to technology through the human resources cost very helpful in identifying anomalous behavior of large and complex financial is limited.

Research Background and Theoretical Bases

According to DE George et al (1999), investors and corporate are executives who carefully to reporting profits. Management is aware of the importance of dividends to shareholders and bonuses to company earnings natural consequence. The results Beroon (1968) showed that changes in accounting earnings and stock prices are aligned and relevant. The information contained earnings of the factors that affect stock price and can be beneficial. Several studies (Daroogh and others, 1998; Dechow and Skins, 2000; Aschypr, 1998; et al. Fildez, 2001; Nelson et al., 2002) [27,29,36,44] has shown a reward, loan contracts, capital market, income smoothing and parameters the most important are the political motivations of earnings management.

Healy and J. Wahlen [39] argue that managers manage earnings when done, your judgment and financial reporting to mislead users of financial information to use. In this case, management accounting and reporting profits in ways that reflect the real situation in the economy are now. From the perspective of Dgeorge et al takes place. However, most researchers, including Healy (1985) [38], Aschipper (1989) and Belkaoui (2004) in the range of earnings management and financial reporting and accrual accounting are possible. Fama &. Jensen (1983) [35] and et al. Beatty (2002) [22] believe that public companies because of the theory of representation compared to private companies to run more incentive to manage earnings. The results Hackerman & zimjockiy (1979) showed that companies that reward managers based on accounting profits than from, for further illustrating the benefits of using accounting methods to increase profits broadly addressing.

Earnings management:

Jensen and Meckling (1976) raised the representation theory; they corporate executives as "brokers" and shareholders as "placements" were defined. In their analysis, is a shareholder in contrast to managers? In other words, decision-making is delegated to managers. The problem that arises here is that brokers do not decide in favor of placement. One of the main assumptions of agency theory is that the "Placements" and "Gargzaran" conflict of interest. In their mind, management incentives for private interests to maximize shareholder wealth are contrary to the interests. According to this view, new managers have incentives to manage earnings are as follows:

1. Tenure and value of human capital: new managers seek to maximize their own welfare with tenure. Fama [34] points out that managers are part of their wealth in the form of the company's human capital. Managers of manpower in the labor market based on experiences (successes and failures) are valued. Market due to the experiences, constantly moderated prices. Facts and figures accounting directly or indirectly as one of the main criteria set forth in the report card score is considered managers. Provide.

2. Compensation contracts and bonus plans: few studies have been conducted in Iran on bonus schemes. Although Khoshtinat and Khani [8] showed that profit cannot pay bonuses based on taking the right steps to align the interests of managers and other groups, including the owner, but it is necessary to note that the bonus schemes in our country and detail the different types in other countries there, there is no [8]. However, the interests of management bonus plans tied to the output of the accounting system; management incentives and boost profit to peak

in periods of change and its surroundings (Wells, 2002).

2. 13-1) Earnings management incentives:

According to studies, the most important motivations for earnings management incentives include bonuses, incentives contract (including agreements with third parties, secret agreements or fee contracts), politically motivated tax incentives, the initial offering shares to the public and change managers (Managers a) based on the results of change management in prior periods, researchers, managers with incentives such as preventing deportation, having won a record or achieve a reward (in cases where remuneration is linked to performance), they've managed to increase profits. Change management in order to lower comparative basis year after the change, attributing poor performance to the former director them, manage negative profit forecasts. In the years after the change of management and due to the fact that bonuses and compensation agreements with respect to the performance of the year after the change is taken into account. Increase the profits of management during the. (Healy, 1985) [38]

In size and earnings management, the team has two views that are expressed in the form of political motives. Some researchers believe that the size of companies, managers to reduce the sensitivity, negative management makes profits. The other believes that the size of companies, monitoring and financial reporting increases social impact results; consequently, the greater the tendency of managers to manage earnings. Apart from the above two points of view, based on the assumption that in the real world all people to maximize their wealth and prosperity and managers are not exempt from this rule, we can expect that in terms of change management, different managers to be motivated be the same. So, we can expect that earnings management does not depend on company size. According to aspects of the conduct of the principal, the same argument can be stated that earnings management also depends on the industry in which the company does not operate. (Moses, 1987) [43]

2-14) the emergence of the theory of earnings quality:

One of the most basic elements of financial benefit that has always been considered as a measure of continuity, efficiency and revision of contracts known representatives of the economic unit.to earnings, better indicator to predict future cash flows. Economic profit is defined first by Adam Smith then this definition by Hicks (1939) was developed. He defined benefit amount that an individual can consume over a period and at the end of the first period is the same welfare.

Earnings quality theory first raised by financial analysts and stock brokers, because they felt they would benefit earnings power is such that envisage not show. They found that anticipated future earnings based on the results reported, is difficult. In addition, analysts found that the analysis of corporate financial statements due to numerous weaknesses in the accounting information is difficult to measure. The real question is why financial analysts in their assessment of reported net income or earnings per share (without adjustment) not-they are cautious. The answer is that in determining the value of benefit not only the quantity, but quality must also be considered. The quality of earnings, profit growth and the probability of future earnings is the potentiality of the area.

Quality Elements of Profit

Profit figures through the selection of managers and accountants generally accepted accounting principles and judgment between managers about the procedures used to record the accounting data is affected. Sometimes choosing the accounting firm's management to manipulate earnings and mislead targeted users. Financial analysts also mistake and correct prediction of future profitability does business. Siegal (1979) believes that profit figures must be honest, have reliability and predictability anticipated future profitability.

Quality gains can be sustained into three categories: profit, profit levels reflect the economic transactions related accruals and divided. Profit sustainability means reproducibility (continued) current profit. The greater benefit is the stability of the company be more to maintain current earnings, and assumes that corporate profits are higher quality. There was an inverse relationship also benefit accruals quality levels, because the amount of accruals is more profit, reduced quality of corporate profits. In addition, the report is an accounting profit that reflects actual transactions economic plasticizers is, the quality of earnings also increased (Mc Nichals, 2002) [42].

Profit quality evaluation methods

Generally four methods to assess earnings quality are as follows:

1) A method based on relevance to shareholder value: in this method of communication between different levels of profits and stock prices (market) is measured regression. The correlation coefficient is more adjusted profit is worth more relevant variables (Barth et al., 2001).

2) Method based on information content: The relationship between changes in prices or stock returns, with different amounts of profit levels or unexpected changes measured regression. The correlation coefficient is adjusted to a closer, more information is indicative of the time.

3) A method based on the ability to predict: in this way, it is important that the amount of profit can predict future values. Whatever the absolute value is less than the average prediction error, it is much more predictability.

4) A method based on economic benefit: The more criteria based on the anticipated cost of capital is considered. It is understood that the figures are higher quality than accounting profit. Economic value added measure, including measures that rely on this method (Barth et al, 2003).

2- 16) Smoothing Profit

One of the most important issues of earnings management, income smoothing is.no major changes has profit. The aim is to manage the company in terms of investors and the capital market stable and dynamic show. Different definitions almost similar income smoothing is provided as following:

1. Income smoothing process time revenue recognition or manipulation of reported earnings to the earnings has a little change, as long as the reported income does not increase in the long run. (Fedenberge Tirole 1995) 2- smoothing of profits is considered a form of manipulation of accounts to create a constant growth rate was profit corporations created through the provisions regulating the flow of profits to reduce the deviation at doing this. "Fluctuations are the profits of a deliberate action that management is done in order to manage mental objectives."
2. Profit and loss statements becoming more common in the late 1920s with significant pressure from people outside the accounting profession as well as professional practitioners and academics dissatisfaction with current methods, important changes in thinking and create accounting theory. One of the most important of these changes is emphasized and more attention is focused on the balance sheet, the profit and loss account earlier, resulted in a category called earnings management was born and to be raised. Earnings management hypothesis, first as income smoothing by Hepworth (1953) and later presented by Gordon (1964) was introduced. For the first time by Mc Nichelson (1988) the term "earnings management" has been replaced by the income smoothing. From this point of earnings management was in the spotlight, on the grounds that can be used to produce a summary of the company's performance and influence reflects your desired results. (Riyahi Boluki, 2002) In recent decades there have been studies

on income smoothing and literature about the motives of managers, many of them, it's goals and instruments of income smoothing is defined as: The Director of accounting elect be that procedures to achieve a particular goal. (Scott and William, 2007) Many of the financial crises on public companies that are on the rise. A large number of investors and creditors about anticipated financial crises, especially when it earnings management problems. Earnings management hypothesis, first as income smoothing provided by Hepworth 1935 and later was introduced by Gordon 1964. And for the first time by Mc Nichelson (1988) the Alternate Management is the income smoothing. In this respect, the focus was on earnings management, which can be prepared accordingly summary of leveraging the company's performance and results. Reflect their opinion. Carlson and Chenchuramaiah), 1997) Aschipper (1989) has defined the concept of earnings management "deliberate intervention in the financial reporting process to obtain the expected level profits. With regard to management objectives, may increase or decrease profits, or dignity. That the management purposes are as follows:

1. Get management bonus
2. Increase the value of the company
3. Fundraising
4. Reduce the political costs of the research parameters such as company size, ownership structure, changes in the company's performance and forecast profit growth of companies have been investigated as factors affecting earnings management.

Company size:

Moses (1987) believes that the larger the size of the company, the managers of these companies will have greater incentive to manage earnings, because, with larger companies, executives' accountability to the stakeholders further increases. Beathy e al. (2002) concluded larger companies compared to smaller companies, more profitable use of management addressing. Matsumoto (2002), Barton and Simko (2002) and Frankel et al (2002) argue that the larger firm size, the probability that the fictitious profits soar to predetermined criteria.

Ownership Structure

Belack (1992) argues that managers of companies that have multiple owners and major shareholders do not have a greater incentive to manage earnings, because the cost of processing the information has no economic justification for minority shareholders. As a result, they are forced to information reported by management companies rely on profits and losses.

Burgstahler and Dichev (1997) concluded investment companies with multiple owners and major shareholders to replace the accurate processing of information without your requirements on low-cost measures such as index-based profit is based on. They believe that the minority shareholders of a company are more likely to rely on indicators profits soar. As a result, in this case it relied on indicators of interest increases the likelihood of earnings management. In the end, concluded that companies with multiple and diverse stakeholders in companies with major shareholders, the possibility of further earnings management. Beatty et al (2002) concluded that the private companies that are owned by a few people, the possibility of earnings management in public companies, more. Bhatajari (2001) argues that capital market participants, especially minority shareholders group of corporations with financial analysts is not enough; the indicators are more reliant profit.

Dechow et al (1996) believe that companies that have a high number of board members, and these members are mostly obliged, in comparison with other companies, earnings management, more use. Also, they concluded that the probability of earnings management in companies owned by the director as well, less than other companies. Darrough et al (1998) argue that there is a relationship between ownership structure and earnings management. The ownership structure is different in different companies. America the majority of stock companies owned financial institutions and investment companies. Investment companies and investors are except for a short-term investment horizon. However, the holding companies have long-term investment horizon. They conclude if shareholders with short-term investment horizon, the company's shareholders a day, the possibility of earnings management in these companies is high.

Lakonishok (1994) believes investors about the company with steady growth in profitability unusual shape are optimistic. Therefore, the growth of stock prices of these companies is higher than other companies. When optimism shareholders in the result of lack of future earnings growth moderated, the stock price fell sharply firms' stems. The administrators of the company avoid the collapse of its stock price, a great motivation for earnings management. Therefore, this factor into corporate executives to the management makes a profit, the market reaction to adjust. Mac Nichols (2000) believes predictor of future profitable growth companies in the model of Jones (1991) has been overlooked and should be considered a variable affecting earnings management. Kee (2001), Barton and Simko (2002), Frankel (2002) and Matsumoto (2002) believe that the company's future earnings growth forecast earnings management is effective. They concluded that the increased risk of profit growth, The possibility of earnings management increases. Because, in the absence of earnings management, positive expectations of investors about the company reduced and disclose more makes managing company pays the smoothing process is not successful. In some cases, this issue is suggested that a normal stock market cannot properly explain the accounting data. Power and Sutton suggested that managers frequently to predict the optimum smoothing of profits (by external parties) of the cash flow that the firm value placed on that basis, will facilitate. With the continued economic expansion of the boundaries of the Industrial Revolution in the nineteenth century, large factories and the need for major industrial projects in need of capital was Providing such funds from one or more venture beyond the financial possibilities and the potential for one or more capital readiness to accept the business risk management planning such activities large corporations and shareholder relations through legislation and regulation by order to find part of the transactions under the regulations of securities exchanges excess investors who were not directly involved in the management of the company nor were such intention and gave practical examples. Millions of people their savings through investments in securities of companies have entrusted to them. To ensure that their invested funds are used properly and effectively forced to rely on the company's annual financial statements and mid-term. People would entrust their savings to banks and other entities that they, in turn, these funds are invested in stocks. Therefore, almost everyone directly or indirectly, interests in companies and public resources require reliable and timely reports of operations and financial health of public companies. Investment institutions, banks and investors to credit and investment in the company, several risks assume the market risk or business risk is one of them. In developed countries, due to the risk that an entity is considered to be the interest rate specified and according to the credit risk of the company as stipulated in appropriate collateral. Investors also tend to have less risk to the companies also provide proper and appropriate returns fluctuations efficiency as investors and creditors, and finally thought to influence the risk of the company. So they performed income smoothing so that creates a steady stream of profit growth are reported.

Because investors to invest in a company that has a smooth flow of profit, willing to pay a higher amount. This is especially the companies listed on the stock exchange with the aim of influencing the stock price can be raised so that more comprehensive research and analysis of securities markets conclusion will help cultivate the growth rate Markets realized with respect to the plurality of logic that yields confidence of investors in the securities market to them accordingly entry Investors and creditors of the company has led them smoothly and analyst on the risk and return of profit as a factor influencing returns on risk capital in companies targeted focus on the predicted benefits of financial reporting as a performance indicator consider the business unit.

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Research Background

Earnings management hypothesis, first as income smoothing by Hepworth (1953) and later presented by Gordon (1964) was introduced. For the first time by Mc Michelson (1988) the term "earnings management" has been replaced by the income smoothing. From this point of earnings management was in the spotlight, on the grounds that can be used to produce a summary of the company's performance and influence reflects your desired results. [11]

Internal Studies:

Ghaemi et al. (2003) Effect of income smoothing on stock returns of companies listed on Tehran Stock Exchange were examined. The results show that the abnormal returns of companies smoothing and non-smoothing there is no significant difference. Mashayekhi et al. (2005) [15] the role of optional items in earnings management of listed companies in Tehran Stock Exchange inspected. The smoothing of profits in Iran debt not has much importance.

Moradzadeh and Banimahd (2006) showed that conservatism in accounting and indicators of profitability (ROA) in Iran has declined over the study period at the same time. Firm size and conservatism tax accounting and accounting conservatism cannot work as an efficient mechanism to reduce conflicts profit-sharing contract between shareholders and creditors to be considered.

Norush et al. (2007) [19] in the smoothing review the companies concluded that companies smoothing, older, poorer performance than the company's debt ratio are non-smoothing.

Moradi (2007) [14] examines the relationship between financial leverage and smoothing of profits in companies listed on Tehran Stock Exchange began and concluded that significant negative relationship between financial leverage and income smoothing there. As well as significant differences between the types of companies smoothing there is no profit.

Rezazadeh and Azad (2008) the relationship between accounting conservatism and information asymmetry studied the period 2002-2006. The results of their study showed a significant positive correlation between asymmetry of information for investors and conservative accounting. Based on their conclusions, change in information asymmetry between investors is a change in conservatism.

Jamalianpour and Setayesh (2010) in a study as the presence of conservatism in financial reporting of listed companies in Tehran Stock Exchange began to investigate the existence of conservatism in financial reporting. The results showed that in the majority of cases there is an asymmetric response between accounting earnings and stock returns.

Habib Amir Beygi and Langrudi (2010) to "examine the relationship asymmetry profit and MTB (the ratio of market value to book value)" as the criterion for evaluation of conservatism in financial reporting. The findings of this study showed that increasing the duration of the model, the positive relationship between these two assessment criteria, will not return.

Ansari and Khodajuy (2011) [3] examines the relationship between income smoothing and stock market prices and financial ratios began and came to the conclusion that income smoothing increases in the market price of the Company's shares and the current ratio, return on equity interest coverage negative correlation with income smoothing at the level of operating profit and net income, poorer performance, the level of pre-tax profit and net profit growth, net profit at the level of larger size and eventually have a higher dividend rate in earnings per share. Their research results also show that companies that have earnings management, has been more growth and less efficiency.

Foreign Studies

Michelson and et al. (1995) in a study to investigate the relationship between risk and return smoothing out and eventually came to the conclusion that paving companies usually corporate profit with less risk and lower returns and reduce profit. Chaney and Jeter (1997) in their study the effect of firm size, debt ratio and the ratio of profitability, efficiency, and growth of discretionary accruals on income smoothing examined his research results showed that companies smoothing larger than other companies and higher debt, higher yields and larger discretionary accruals are less likely to pay income smoothing. They also observed a negative relationship between the smoothing and growth.

Vilido and et al (1999), paper with multiple applications in business since 1992 and 1998 studied universe setting results showed that the performance of neural networks were compared neural network performance was better. Balsam and Bartoue (2000) in a study entitled accruals management, skills assessment equity investor and concluded that institutional investors to individual investors are more capable of analyzing the constituents of accruals, which an accurate assessment of the benefit. Biver and Raian (2000) the relationship between the ratios of book value to market value of the shares conservatism examined and concluded that the market value is lower than the book value to the value of the business unit will be higher conservatism.

Beatty and et al (2002) [22] examined the relationship between firm size and earnings management They reached the conclusion Larger companies compared to smaller companies more profitable use This liner concluded that the size of the company is one of factors affecting soda.

Bergstresser and Philippon (2006) [23] drivers and management executives indicate that their using discretionary accruals to manipulate reported earnings in companies that potentially all the advantages of building designs executive compensation is based on stock value. Kayo and Kainsun (2006) earnings management by companies listed on the stock exchange and issuing new shares offered to shareholders of the Company examined the empirical shows them that Chinese companies during the 1994 to 2002 gain control conditions hardly on the verge necessary, have profit management.

Young (2006), the relationship between the sensitivity of the pay for performance (pps) examined the performance of the company. They found that the relationship between the percentage of reward and return on equity anticipated industry-adjusted assets, the performance of the company Low to moderate path, negative performance, the path to the top is positive. Davidson and et al (2007) stimuli universe setting interest assessed management executives. They found that companies that managers are close to retirement accruals will be higher in pre editors from changing, as well as companies that promise higher greater rewards program.

Lafoond and Watts (2008) studied the role of conservatism's information. They believe that conservative accounting research by two potential mechanisms, information asymmetry between investors and destroys: First, conservative accounting can be the best possible summary of certain information other than the stock price current operating companies provide to investors. On the other hand, standards that Bralzam to Verifiability less to identify losses, could lead to the disclosure of information that managers tend not to be disclosed. Khan and Watts (2009) this research showed that firm size decreases with increasing conservatism but with the ratio of market value of equity book value as well as the degree of financial leverage, conservative increases. Their research also showed that Conservatism Company decreased with increasing age, with increasing uncertainty about the company's specific investment cycle length increases. Hui et al (2009), this research titled "Working profit forecast by management" explores the relationship between conservatism and their managers predictions show that their research findings is a significant negative relationship between the number of times of conservatism, precision and forecasting feature is the manager. This research also suggests that to reduce market efficiency, increase the impact of conservatism on number of times forecast predicted bad news than good news, as well as the strong relationship evolves this important effect.

Matinz and Kastrow (2010) examines the relationship between risk and returns of income smoothing Brazilian companies investigated and concluded that even small Brazilian standards and degrees systemic risk, and vice versa not smoothing.

Lara and Penalewa (2010) in their study to find a link between conditional conservatism and the cost of equity, using asset pricing tests concluded between conditional conservatism and the cost of equity capital and there is a significant inverse relationship and conservative reporting by reducing uncertainty about future cash flows and reduce future stock price volatility, resulting in greater accuracy, increase corporate value and it will reduce the cost of capital.

Jang and Kown (2011) to investigate the relationship between stock prices and investment income smoothing and came to the conclusion that companies have a strong negative effect on investment income smoothing companies and stock prices, and also investment performance of the income smoothing investment companies and investment by minimizing the effect of the devaluation improves.

Yoski (2012) study, the effect of income smoothing on the cost of the bank loan is paid. This study is the first analysis found that income smoothing behavior by managers to reduce the cost of bank loans. In addition, during the study addressed the issue of whether income smoothing behavior on the cost of bank loans by major banks is subject to the production of information.it will be obtained. Second, companies that more information be provided by banks, the relationship between income smoothing index calculation and the cost of bank loans cannot be viewed. These results suggest that the role of information banks Relationship between income smoothing and affects the cost of bank loans.

METHODOLOGY

Hypotheses

Main hypothesis

Between profit and debt management companies listed on the stock exchange there is a significant relationship.

Secondary Hypothesis

Between earnings management and bank loans companies listed on the Stock Exchange is a significant relationship.

Current ratio between earnings management and securities companies listed on the stock there is a significant relationship.

Statistical Population

The population consists of individuals or units that have at least one common trait (the same proportion that exist in society, as a community representative, will also be present in the sample; the sample was stratified sample say. The percentage of participants who are randomly selected from each group, with the percentage of the target population is in the same group. (Delavar, 2008)

The study population includes firms listed in the Tehran Stock Exchange over the period 2009 to 2012.

Sampling Method

Obtained for a sample of community members, eliminate systematic method is used. And only companies that in the years 2009-2014 was a member of the Stock Exchange of information and conditions in accordance with the following have been evaluated as a sample. In this study, the FA and targeted sampling and will be k. The religion that companies that do not meet the following conditions be removed; during dividends are addressed. During the have reported net income. They ended financial year is 29.12.

3 - 10 Data sand Research model analysis Method

Since this research field also deals with real-time data to provide companies listed on Tehran Stock Exchange with respect to the variables related to the company's financial statements, for the processing of data analysis stage data analysis software Excel Spss, will be used.

Conceptual model securities will be used to manage earnings.

ε DI ++ Sj = $\alpha 0$

Sj a dummy variable whose value for the company:

: DI debt is total debt ratio.

Using the Pearson correlation coefficient of correlation between the cost of corporate debt and earnings management will be evaluated.

Acle index = CVΔI / CVΔS

ΔI, which represents the profit change to change ΔS sale and CV represent the coefficient of variation, is

Standard deviation divided by the average for the analysis of the sub-hypotheses based on both paved and non-paved proved Acle Company will be used. The following model will be used to test the hypothesis.

$Sj = \alpha 0 + \alpha\ DR + \varepsilon$

Sj a dummy variable whose value for the company:

: DR is the ratio of debt to total debt Berkeley property is obtained. (Adopted from Khodadadi Vali, Jan Jani Reza, 2009) [7] and finally the Pearson correlation coefficient was used.

Testing Research Hypotheses

Normality test data:

Since the normality of the dependent variable leads to the normality of residuals, be sure to model, it is normal to be controlled.

Normality tests the null hypothesis and the alternative hypothesis is as following:

H0: Data distribution is normal.

H1: Data distribution is not normal Top of Kolmogorov-Smirnov test was used to test the hypothesis.

In this test every time is less than 5% significance level the null hypothesis is rejected at the 95% confidence;

In this study, data normalization is used test Smirnov-Kolmogorov. Given the significant level of low test statistics and test data normality assumption was confirmed. The values shown (Figure 4 -2) since a significant level, variable research is less than 5% (Sig. <0.05 or P- value), so the null hypothesis is not rejected, the normality of the variables. Therefore, assuming normal data confirmed stuck.

	Acle index	Current ratio	B ratio of	The ratio of bank loans
The number of D	345	345	345	345
A Mare test	4.420	3.021	1.303	7.966
Significance level	0.000	.000	.067	0.000

Testing Hypotheses:

First analyzing and testing the main hypothesis:

To test the hypothesis that the two methods have been used Pearson correlation and multivariate regression tests. The results of both tests confirmed the hypothesis.

A little explanation, for example, factor must be positive or negative to say there was a significant relationship or not? Please refer to the books statistics provided necessary explanations.

According to the statistics, Pearson correlation coefficient, which represents the number is 0.074, indicating a strong positive correlation between earnings management and the debt ratio and given that value- p 0.1730 significance level of less than 0.5. Therefore, the first hypothesis has been confirmed between profit and debt management companies listed on the stock exchange there is a significant relationships located.

Regression		Pearson	
Significance level	Statistics	Significance level	Statistics
0.173	1.868	0.173	.074

Figure 1: Results of the first main hypothesis

Analyzing and testing the first hypothesis:

To test this hypothesis earnings management index and the ratio of bank loans companies listed on Tehran Stock Exchange has designed a regression model between the two variables. To test the hypothesis, Pearson test is that their results are presented in the following inscription.

According to the statistics, Pearson correlation coefficient and given that the test p-value is significance level of 0.888 and more than 0.5. Therefore, the first hypothesis has not been confirmed between profit and debt management companies listed on the stock exchange there is no correlation.

As can be seen in Figure also due to the low value of 0.20 and a high significance level multivariate regression test is 0.888, which is more than 0.5 regarding the method and rejection of the hypothesis is not approved.

Regression		Pearson	
Significance level	Statistics	Significance level	Statistics
0.888	0.20	0.888	-0.008

Figure 2: Results of the first sub-hypothesis

Analyzing and testing the second hypothesis:

To test this hypothesis earnings management index and the current debt ratio of listed companies in Tehran Stock Exchange has designed a regression model between the two variables. To test the hypothesis, Pearson test is that their results are presented in the following inscription.

According to the statistics, Pearson correlation coefficient is 0.040, which represents a number which indicates a moderate positive correlation between earnings management and is the current debt ratio and given that the significance level of the test p-value are less than 0.456 and 0.5. Therefore, the second hypothesis is approved debt management of company listed on the Stock Exchange there is a significant.

As can also be seen in Figure according to the multivariable regression test statistic is significant level of 0.456 and 0.556 and less than 0.5. Therefore, according to the multivariate regression hypothesis has been approved.

Regression		Pearson	
Significance level	Statistics	Significance level	Statistics
0.456	0.556	0.456	.040

Figure 3 Results hypothesis II

CONCLUSION

The summary and conclusions hypothesis suggests, debt ratios and significant relationship with the dependent variable test current liabilities earnings management and the proportion of bank loans have a significant relationship with the dependent variable analysis of earnings management.

LIMITATIONS

In all the research that takes place, the restrictions are an integral part of the research. Because the same limitation that they can provide the groundwork for future research and new. The study has also no exception. Researchers are always restricted in its investigation that some of them even work at the beginning of his show. One of the main pillars of research is data and information access. In this area there are problems that led research services such as access to books, magazines, statistics, and databases and easily possible in the country. On the other hand unwanted variables may have resulted from specific designs and methods that are used in research, often in different ways, credibility and endanger the internal and external research. Should be aware that in the Behavioral Sciences Research, or completely remove this type of control is impossible. However, to the extent possible, researchers have found that these factors predict, identify and apply all necessary precautions to reduce them.

* Including limiting the research includes:

Lack of available scientific resources and use

Very few scientific resources (at least in Persian) in this are directly related to the subject of study and research. For this reason we need to use the Latin sources that other problems, such as limited use of the Internet in schools, translated into Persian and Latin texts just bring them a hand-out.

Lack of necessary funds to carry out the development work each at different stages of their research work requires financial expenditure is arguably Student Research Because of the special investigator of this issue is no exception.

5 SUGGESTIONS

Thus goes on to suggest that, according to the study results as well as for future research are provided.

Recommendations based on the findings of this research. According to the study proved that:

1 - It is recommended to analyze the situation of the proportion of corporate profits and corporate use.

2 - According to the results suggest the hypothesis that financial decisions are not confined to this ratio.

5-6-2) suggestions for future research: The researchers suggest that future research will evaluate and examine larger population. Its other financial ratios are examined with earnings management with the appropriate software to predict and like neural networks and genetic algorithms assessing the relationship between the proportions of pay. The non-financial factors, such as macroeconomic indicators and their relationship with management are earnings.

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